

## Message Text

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67

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 IO-14 DRC-01

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R 140954Z MAR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1861

C O N F I D E N T I A L MANILA 3044

E O 11652: GDS

TAGS: EGEN, PFOR, RP, US

SUBJ: US-PHILIPPINE ECONOMIC NEGOTIATIONS

REF: MANILA 2922

1. AMCHAM AD HOC COMMITTEE ON LAUREL-LANGLEY ISSUES MET WITH SECRETARY OF INDUSTRIES PATERNO MARCH 13. MEETING, ARRANGED BY EMBASSY, HAD BEEN APPROVED IN ADVANCE BY PRESIDENT MARCOS. BY AGREEMENT NO REPEAT NO EMBASSY OFFICER WAS PRESENT. ACCORDING TO DRAFT MINUTES OF MEETING, PREPARED BY AMCHAM, SEC. PATERNO MADE CLEAR GOP'S DESIRE TO AVOID CRISIS SITUATION AND TO SEEK SOLUTIONS TO PROBLEMS EITHER WITHIN CONTEXT TREATY NEGOTIATIONS OR AT ADMINISTRATIVE LEVEL THROUGH DISCUSSION BETWEEN AMCHAM REPRESENTATIVES AND APPROPRIATE GOP OFFICIALS. PATERNO STRESSED WITH GROUP THAT IN NO WAY DID HE INTEND TO LIMIT OR INTERFERE WITH FUTURE CONDUCT OF GOVERNMENT-TO-GOVERNMENT TALKS BY HOLDING SUCH MEETINGS; RATHER HE HOPED TO CLARIFY AND PERHAPS DISPOSE OF SOME AREAS OF BUSINESS WORRY IF POSSIBLE.

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2. AMCHAM REPS AND PATERNO AGREED THAT WORKABLE APPROACH WAS TO IDENTIFY CERTAIN ISSUES FOR WHICH EARLY PRACTICAL SOLUTIONS APPEAR POSSIBLE (I.E. UNILATERALLY BY GOP). THESE MIGHT INCLUDE:

A. RETAIL TRADE: PATERNO SUGGESTED ESTABLISHMENT OF WORKING GROUP, WITH REPRESENTATION FROM GOP AND MAJOR FOREIGN INDUSTRY GROUPS (FILIPINO, AMERICAN, CHINESE, EUROPEAN) WITH VIEW TO ARRIVING AT APPROPRIATE AMENDMENT TO RETAIL TRADE NATIONALIZATION LAW.

B. ANTI-DUMMY LAW: SIMILAR GROUP COULD BE ESTABLISHED TO SEEK WAYS TO AMEND THE LAW, WITHOUT DILUTING ITS BASIC INTENT, IN ORDER TO MINIMIZE LEGAL OBSTACLES FOR MINORITY FOREIGN INVESTORS, SUCH AS BOARD REPRESENTATION AND EMPLOYMENT OF MANAGEMENT PERSONNEL.

C. LEASES OF PUBLIC LAND: IT WAS CONCLUDED THAT WORKABLE SOLUTIONS TO MOST OF THE PROBLEMS IN THIS AREA, ARISING FROM THE TERMINATION OF PARITY, CAN BE ACHIEVED THROUGH JOINT EFFORTS AMCHAM AND GOP REPRESENTATIVES.

3. BOTH SIDES AGREED THAT ASSUMING ABOVE ISSUES CAN BE RESOLVED SATISFACTORILY, OWNERSHIP OF LAND WOULD REMAIN AS ONLY MAJOR PROBLEM TO BE RESOLVED IN GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS. AMCHAM REITERATED ITS CONTENTION THAT OWNERSHIP OF LAND ACQUIRED IN GOOD FAITH SHOULD BE PERMITTED TO CONTINUE, WHILE PATERNO STATED OFFICIAL GOP POSITION THAT OWNERSHIP RIGHTS CEASE WITH TERMINATION PARITY. NEVERTHELESS, PATERNO RECOGNIZED NEED TO FIND MECHANISM TO PROVIDE AMERICAN COMPANIES ADEQUATE ASSURANCES REGARDING PROTECTION OF LAND TITLES UNTIL SUCH TIME AS ISSUE RESOLVED THROUGH NEGOTIATIONS. IN THIS REGARD, IT WAS PROPOSED THAT JOINT U.S. BUSINESS-GOP WORKING GROUP BE SET UP TO EXPLORE VARIOUS ALTERNATIVES, SUCH AS GOVERNMENT COOPERATION TO WHICH TITLES COULD BE TEMPORARILY CONVEYED, IN ESCROW, UNTIL LAND OWNERSHIP

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QUESTION SETTLED. WHATEVER OUTCOME OF NEGOTIATIONS, AMERICAN COMPANIES COULD THUS WORK OUT THEIR INDIVIDUAL SITUATIONS WITH A MINIMUM OF DISRUPTION AND ATTENDANT PROBLEMS (COSTS, BALANCE SHEET ADJUSTMENTS, TAXES, ETC.).

5. CONSENSUS OF AMCHAM AD HOC COMMITTEE IS THAT SUGGESTIONS DISCUSSED AT MEETING WITH PATERNO OFFER

REAL HOPE FOR SATISFACTORY SOLUTIONS TO MAJOR AREAS  
OF CONCERN TO AMERICAN BUSINESS. WHILE COMMITTEE  
BELIEVES IT PRUDENT FOR COMPANIES TO DEVELOP  
ADEQUATE CONTINGENCY PLANS, MEMBERS ARE CONFIDENT  
THAT SATISFACTORY INTERIM SOLUTIONS TO PROBLEMS  
(MEANING PRIMARILY LAND) CAN BE FOUND AND THAT COMPANIES  
WOULD NOT BE INCURRING UNDUE RISKS BY DEFERRING  
IMPLEMENTATION OF PLANS, EVEN UNTIL AFTER JULY 3.  
THIS COULD MEAN AS SOME AWARE, HOWEVER, THAT LAND  
WOULD GO INTO ESCROW AS OF JULY 3.

6. FULL RECORD OF MEETING WILL BE POUCHED WHEN  
AVAILABLE.  
SULLIVAN

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## Message Attributes

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